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SENSITIVE

STATE FOR NEA/ELA AND EEB/IFD/ODF
STATE PASS USTR FRANCESCKI
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TREASURY FOR PARODI/BLEIWEISS/AHERN
USDOC FOR 4520/ITA/MAC/ONE
NSC FOR SHAPIRO/MCDERMOTT

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SUBJECT: LEBANON: GOL TAKES PRECAUTIONS AGAINST SWINE FLU (ECONOMIC
WEEK IN REVIEW, APRIL 27 - MAY 3, 2009)

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GOL TAKES PRECAUTIONARY
MEASURES AGAINST SWINE FLU

11. (U) GOL officials have quickly begun taking necessary precautions to deal with the potential swine flu pandemic. No cases of swine flu have been reported in Lebanon. The Ministry of Agriculture (MOA) has already banned the import of pigs and pork products (except canned and smoked products), and announced that any shipments of swine arriving from blacklisted countries would be destroyed. The Ministry of Public Health (MOPH) put in place a national emergency committee to deal with the possible pandemic. MOPH Director General Walid Ammar said that there are no plans yet to restrict travel from countries with confirmed cases of the disease.

EU DISAPPOINTED WITH LEBANON'S PROGRESS IN
2008 UNDER EUROPEAN NEIGHBORHOOD POLICY

12. (U) The annual progress report of the European Neighborhood Policy (ENP) issued by the European Commission in Beirut on April 24 said Lebanon showed "very limited" progress in 2008. The document indicated that the difficult political situation throughout the year slowed down the process of implementing the EU-Lebanon Action Plan. It also noted little progress in implementing the Paris III economic reform program, while progress in other fields (human rights, judicial reform, social sector reform, and administrative reform) was also slow. The EU-Lebanon ENP Action Plan was adopted in January 2007 and provides EU support to Lebanon's reform efforts through 187 million euros allocated for the period 2007-2010.

MEA EXPANDS FLEET AND INCREASES DAILY FLIGHTS,
GROUND HANDLING AFFILIATE RECEIVES IATA SAFETY CERTIFICATE

¶3. (SBU) Lebanon's national carrier Middle East Airlines (MEA) received three new Airbus A320 aircraft and two A330 in the first quarter of 2009, and expects to receive an additional A330 in May 2009, MEA Chairman Mohammad El-Hout told us April 30. The three A330 will replace three leased A330 whose lease term expires in ¶2009. In October 2007, MEA started its fleet expansion plan. MEA's current fleet consists of four A330, three A320, and six A321. MEA will receive three additional A320 by 2010.

¶4. (SBU) El-Hout said MEA recorded \$60 million in net profits in 2007 and expects \$91 million in net profits in 2008. He believes MEA will remain profitable if there is political and security stability. Meanwhile, the company has already increased its daily flights, mostly to Europe and Arab countries, anticipating increased demand with the June parliamentary elections and the start of the summer season.

¶5. (U) El-Hout noted that MEA affiliate Middle East Airlines Ground Handling (MEAG) has recently obtained the IATA Safety Audit for Ground Operators certificate. This certificate shows that MEAG is compliant with international standards in terms of ground handling for safety and security. MEAG is the 9th company worldwide to receive this certificate, El-Hout said.

HUGE INCREASE IN TOURISM ACTIVITY
SLIGHT RISE IN INFLATION IN EARLY 2009

¶6. (U) According to the Ministry of Tourism (MOT), the number of tourists visiting Lebanon rose by 53.6% during the first quarter of 2009, compared to the first quarter of 2008, reaching 297,579

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visitors, a significant increase over recent years. The Economist Intelligence Unit (EIU) recently noted that the spillovers of the economic crisis would reach Lebanon through a slowdown in tourism activity. However, with such a robust start, and provided relative political stability, tourism prospects for the rest of the year look promising.

¶7. (U) Meanwhile, private firm Consultation and Research Institute (CRI) noted that the consumer price index (CPI) during the first quarter of 2009 rose by 0.43% relative to December 2008, and 4.12% compared to the first quarter of 2008. The rise in CPI was mainly attributed to the rise in the prices of food and beverages, whose weight in the overall index is 35.4%.

SIZE OF IT SECTOR ESTIMATED
AT \$251 MILLION IN 2008

¶8. (U) Business Monitor International (BMI) estimated the size of the Lebanese information technology (IT) sector at around \$251 million in 2008, and expected it to increase to \$350 million in ¶2013. BMI stated that the sector remained below its actual potential, constrained mainly by an unstable political outlook. One of the most critical issues facing the IT sector is a weak telecom infrastructure; broadband can be a catalyst for stronger economic growth, BMI noted. Recently, Telecom Minister Gebran Bassil publicly blamed the government for not issuing broadband licenses and for delays in the necessary administrative and legislative framework.

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